

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of

THE APPLICATION OF SANITATION)
DISTRICT NO. 1 OF MARSHALL COUNTY,)
KENTUCKY, A SANITATION DISTRICT)
ORGANIZED PURSUANT TO CHAPTER 220)
OF THE KENTUCKY REVISED STATUTES,)
FOR (1) A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY, AUTHORIZ)
ING AND PERMITTING SAID SANITATION)
DISTRICT TO CONSTRUCT A NEW SEWAGE)
COLLECTION SYSTEM AND TO CONSTRUCT)
ADDITIONS AND IMPROVEMENTS TO AN)
EXISTING SEWAGE TREATMENT PLANT;)
(2) APPROVAL OF THE PROPOSED PLAN)
OF FINANCING OF SAID PROJECT; AND)
(3) APPROVAL OF THE RATES PROPOSED)
TO BE CHARGED BY THE DISTRICT TO)
THE CUSTOMERS OF THE DISTRICT)

CASE NO. 7933

O R D E R

PREFACE

On August 1, 1980, Sanitation District No. 1 of Marshall County, Kentucky (Applicant), filed its application seeking (1) a Certificate of Public Convenience and Necessity to construct a new sewage collection system and to construct additions and improvements to an existing sewage treatment plant; (2) approval of the proposed plan of financing the project; and (3) approval of the initial rates to be charged for service rendered by the Applicant.

The Commission, on October 24, 1980, issued an Interim Order in this matter granting the Applicant a Certificate of Public Convenience and Necessity for the proposed construction and approval of its proposed plan for financing the construction.

A public hearing to consider the approval of rates was initially set for November 11, 1980 at 1:00 p.m. and was later rescheduled for December 17, 1980 at 1:00 p.m. in the Commission's offices at Frankfort, Kentucky by its Order entered November 7, 1980. The hearing was held as scheduled, with all parties of interest having first been duly notified and the Department of Parks being the only intervenor of record. The matter is now considered to be fully submitted for final determination by this Commission.

TEST PERIOD

Construction on the sewage project proposed by the Applicant has not been completed at this time. Therefore test period information is not available for determination of sewage service rates. Estimated expenses were therefore utilized in the determination of revenue requirements and rates.

PROJECTED EXPENSES

The Applicant submitted a level of operating expenses projected on the basis of providing service to approximately 59 residential and non-residential customers, including Kenlake State Park and by comparison with similar sewer systems.¹ The Commission is of the opinion that the projected levels of operating expenses generally are proper and have therefore been accepted with the following exception:

The pro forma requested reserve fund for plant and equipment, included by the Applicant in its repairs and maintenance expense, was disallowed by the Commission as it is no longer considered an appropriate expense item for rate making purposes. The Commission finds that sewage utilities, in general, fail to properly administer and maintain this fund.¹ However the Commission has made an adjustment of \$1,169² to allow an allowance for depreciation expense which has been included in Applicant's operations and will provide sufficient funds to permit the Applicant to maintain the plant in good working order.

Therefore following these adjustments the Commission has determined that the reasonable level of operating expenses is \$18,769. A further breakdown of this figure is provided and set out on Appendix "B" to this order.

REVENUE REQUIREMENT

The debt service requirements of the \$70,000 bond issue funding the approval construction of the district is \$4,080. The Commission finds that revenues should be sufficient to cover Applicant's operating expenses, service Applicant's debt and provide the required twenty percent, (20%), debt service margin of Applicant's lenders.

¹ See Attachment "B", Operating Expenses of Response to Commission Requests filed September 12, 1980.

² \$70,000 (non contributed cost of plant) X 1.67% (composite depreciation rate) = \$1,169.

The operating revenue found reasonable and necessary is then determined as follows:

1.2 X Debt Service Coverage of \$4,080	\$ 4,896
Adjusted Operating Expenses	<u>18,769</u>
Operating Revenue	\$ 23,665

SUMMARY

The Commission, after consideration of the application and all evidence of record, and being advised, is of the opinion and finds:

1. That a Certificate of Public Convenience and Necessity to construct a sewage collection and treatment system was issued and the proposed method of financing the construction was approved on October 24, 1980.

2. That the rates proposed by the Applicant, insofar as they differ from those provided in Appendix "A", should be denied.

3. That the rates and charges as prescribed and set forth in Appendix "A", attached hereto and made a part hereof, should produce gross annual revenues of approximately \$23,665 and are the fair, just and reasonable rates and charges to be charged for sewage service rendered by the Applicant to its customers.

ORDERS IN THIS MATTER

The Commission, on the basis of the matters hereinbefore set forth and the evidentiary record in this case:

HEREBY ORDERS that the rates and charges as set out in Appendix "A", attached hereto and made a part hereof, are the fair, just and reasonable rates to be charged by Sanitation District No. 1 of Marshall County, Kentucky for sewage service rendered to its customers.

It is also ORDERED that the Applicant shall file with this Commission, within thirty (30) days from the date of this order, its tariff sheets setting forth the rates and charges approved herein and all rules and regulations of the Applicant for providing sewage service to its customers.

IT IS FURTHER ORDERED that all provisions of the Interim Order, dated October 24, 1980, not specifically changed herein, shall remain in full force and effect.

Done at Frankfort, Kentucky, this 23rd day of January, 1981.

UTILITY REGULATORY COMMISSION

Did not participate.
Chairman

John H. Egan
Vice Chairman

Commissioner

ATTEST:

Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY COMMISSION IN CASE NO. 7933 DATED JANUARY 23, 1981.

The following rates are prescribed for sewer service rendered to all customers served by Sanitation District No. 1 in Marshall County, Kentucky.

RATES

MONTHLY RATE

Kenlake State Park

\$ 1,400.00

Commercial

17.00*

Residential

8.00

Campgrounds

(By camping spaces and/or pads)

10 or below

\$ 1.75

11 - 20

3.00

21 - 30

5.25

31 - 40

7.00

41 - 50

8.75

51 - 60

10.50

61 - 70

12.25

71 - 80

14.00

81 - 90

15.75

91 -100

17.50

101 and above -

+ .18/space

Auditoriums, Theatres, Conventions Halls, etc.

(By seating capacity)

200 or below

\$ 3.00

201 - 250

3.75

251 - 300

4.50

301 - 350

5.25

351 - 400

6.00

401 - 450

6.75

451 - 500

7.50

501 and above -

+ .015/seat

Laundromats

(By washing unit)

10 or below

\$ 3.75

11 - 20

7.50

21 - 30

11.25

31 and above -

+ .38/unit

* In addition to the monthly rate, certain business activities will be charged a monthly surcharge as specified below.

Motels, Hotels, or other lodging establishments

(By lodging unit)

10 or below	\$	4.00
11 - 20		8.00
21 - 30		12.00
31 - 40		16.00
41 - 50		20.00
51 - 60		24.00
61 - 70		28.00
71 - 80		32.00
81 - 90		36.00
91 -100		40.00
101 and above -	+	.40 room

Eating Establishments

(By seating capacity)

50 or below	\$	2.50
51 - 75		3.75
76 - 100		5.00
101 - 125		6.25
126 - 150		7.50
151 - 175		8.75
176 - 200		10.00
201 - 225		11.25
226 - 250		12.50
251 - 275		13.75
276 - 300		15.00
301 and above -	+	.05/seat

APPENDIX "B"

APPENDIX TO AN ORDER OF THE COMMISSION IN
CASE NO. 7933 DATED JANUARY 23, 1981.

Operating Expenses:

Salaries	\$ 8,200
Taxes	800
Accounting & Auditing Fees	500
Utilities	3,500
Insurance	600
Repairs and Maintenance	1,500
Chemicals	500
Office Supplies	250
Miscellaneous Supplies	250
Purchased Water	1,500
Depreciation	<u>1,169</u>
Total Operating Expenses	\$ <u>18,769</u>